



How to Put Your Tax Refund to Good Use

Carl H. Starrett II

December is traditionally a slow month for bankruptcy attorneys. I have always assumed that this is because people want to “have a good Christmas” or not face their bill problems. January on the other hand tends to be very busy, which is not surprising because getting out of debt often pops up on lists of popular New Year’s resolutions.

According to a [report by CNN](#), the average tax return for 2010 will increase by 5% to \$3000. A \$3000 refund would be enough to pay the legal fees for about 98% of the bankruptcy cases that I file. Starting out the year with a plan to get rid of your debt is certainly a break that many of us could use. But filing for bankruptcy should only be one part of a plan to not only get out of debt, but to stay out of debt. Here are some other suggestions for how you could put your tax return to good use:

Opening or contributing to an IRA: If you file your tax return electronically, the IRS can directly deposit your refund into your bank account or an IRA. You can have your refund in as little as [10-14 days](#). Not only can you start off the year with a little boost to your retirement plan, but you can fully protect the refund from your creditors if you put the money into the IRA before filing for bankruptcy.

Do something for your peace of mind. Let’s face it...being in debt sucks and it causes a lot of stress. People under stress often lose focus and neglect other areas of their lives. There are lots of things you can do with a little extra cash: joining a gym, donating to a worthy charity or maybe taking a class to improve your job skills. Conquering your problems one step at a time can give you that little mental boost to feel like you are regaining control of your life.

Splurge. We all need that little break from reality sometimes. While I always encourage people not to spend money frivolously, there is something always that we really do not need but really, really want. For me, I really do not need an iPad...but I really want one. There are better ways that I could use my money, but I still want an iPad. If you do splurge a little, make sure that you take care of other needs first. You may really want an iPhone 4, but make sure that you replace those bare tires first.

Revise your paycheck withholding. Some people use their tax refund as a savings plan. In reality, you are giving Uncle Sam an interest free loan. If you change your withholding, you can

put the money into savings right away for emergencies like those unexpected card repairs or your teenager's braces.

If you are in Southern California and need help with your debt problems, please call me at (619) 448-2129 or [click here](#) for a free consultation. Let your tax refund work for you and get some relief from your debts.

About the Author: [Carl H. Starrett II](#) has been a licensed attorney since 1993 and is a member in good standing with the California State Bar, the San Diego County Bar Association and the [National Association of Consumer Bankruptcy Attorneys](#). Mr. Starrett practices in the areas of [bankruptcy](#), [business litigation](#), [construction](#) and [corporate planning](#).